

**WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
WEST LIBERTY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2012**

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# WEST LIBERTY COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Mike Duytschaver	President	2011
Kevin Minor	Vice President	2013
Priscilla Haessig	Board Member	2011
Claire LeMay	Board Member	2011
Rhea Allen	Board Member	2013
(After September 2011 election)		
Mike Duytschaver	President	2015
Kevin Minor	Vice President	2013
Rhea Allen	Board Member	2013
David Millage	Board Member	2015
Lynne Sasmazer	Board Member	2015
<u>School Officials</u>		
Steve Hanson	Superintendent	2013
Tom Anderson	District Secretary/Treasurer and Business Manager	2012
Brian Gruhn	Attorney	2012
Bill Tharp	Attorney	2012

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
West Liberty Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements of the West Liberty Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the West Liberty Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

Because the Foundation's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the West Liberty Community School District, as of and for the year ended June 30, 2012. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2013 on our consideration of West Liberty Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Liberty Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2011 (which are not presented herein). We disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the three years ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
February 14, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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West Liberty Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,599,649 in fiscal 2011 to \$12,216,108 in fiscal 2012, while General Fund expenditures increased from \$11,760,205 in fiscal 2011 to \$11,809,585 in fiscal 2012. The District's General Fund balance increased from -\$474,749 in fiscal 2011 to -\$59,513 in fiscal 2012, an 87% increase.
- The increase in revenues was due primarily to increased state resources due to increased budget enrollment and one-time Federal Education Jobs Funds miscellaneous income.
- The increase in expenditures was due primarily to salary and benefit costs for staffing, and minimizing the increase through reduction in staffing by attrition or not replacing staff that left the district.
- Through a combination of increased budget enrollment, additional state revenue sources, one time Federal Education Jobs Funds, the District did not have to use any carryover balance to meet financial obligations and as a result the General Fund balance increased 87%.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Liberty Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Liberty Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Liberty Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the non-major Governmental Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**West Liberty Community School District Annual Financial Report**

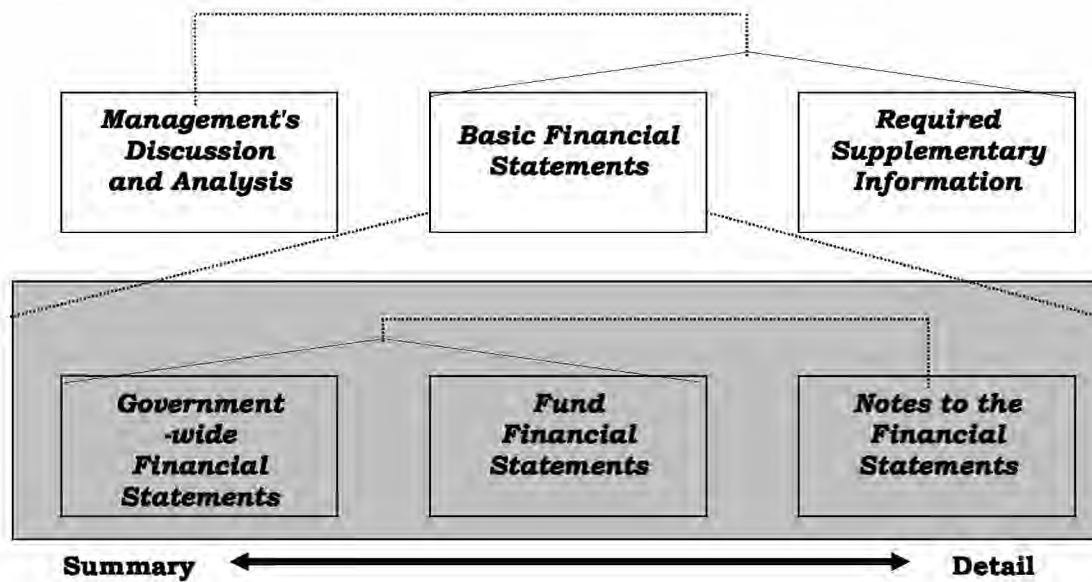




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses such as food services and student construction programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component Unit:* This includes the activities of the West Liberty Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other

District programs and activities. The District currently has two Internal Service Funds, the employee partial self-funding health insurance fund and flex-benefit fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for past district employee's on the district's Group Health Insurance Program and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Current and other assets	\$ 8,210,287	\$ 7,085,586	\$ 129,072	\$ 144,618	\$ 8,339,359	\$ 7,230,204	15.34%
Capital assets	<u>17,564,630</u>	<u>18,184,753</u>	<u>131,931</u>	<u>150,770</u>	<u>17,696,561</u>	<u>18,335,523</u>	-3.48%
Total assets	<u>25,774,917</u>	<u>25,270,339</u>	<u>261,003</u>	<u>295,388</u>	<u>26,035,920</u>	<u>25,565,727</u>	1.84%
Long-term obligations	9,798,401	10,275,473	69,606	70,724	9,868,007	10,346,197	-4.62%
Other liabilities	<u>5,437,014</u>	<u>5,376,654</u>	<u>16,242</u>	<u>20,683</u>	<u>5,453,256</u>	<u>5,397,337</u>	1.04%
Total liabilities	<u>15,235,415</u>	<u>15,652,127</u>	<u>85,848</u>	<u>91,407</u>	<u>15,321,263</u>	<u>15,743,534</u>	-2.68%
Net assets							
Invested in capital assets,							
net of related debt	8,049,630	8,129,753	131,931	150,770	8,181,561	8,280,523	-1.20%
Restricted	2,485,819	1,906,373	-	-	2,485,819	1,906,373	30.40%
Unrestricted	<u>4,053</u>	<u>(417,914)</u>	<u>43,224</u>	<u>53,211</u>	<u>47,277</u>	<u>(364,703)</u>	112.96%
Total net assets	<u>\$ 10,539,502</u>	<u>\$ 9,618,212</u>	<u>\$ 175,155</u>	<u>\$ 203,981</u>	<u>\$ 10,714,657</u>	<u>\$ 9,822,193</u>	9.09%

The District's combined net assets increased by approximately 9.1%, or \$892,464 over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$579,446, or approximately 30% from the prior year. The increase was primarily a result of increasing reserves in the Management Fund for cash flow and PPEL and Capital Projects Funds for future capital expenditures.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$411,980. The District used \$249,255 miscellaneous income from Federal Education Jobs Funds in 2011-2012 to help their General Fund balance position.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4

Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues							
Program revenues							
Charges for service and sales	\$ 400,685	\$ 338,345	\$ 220,494	\$ 283,780	\$ 621,179	\$ 622,125	-0.15%
Operating and capital grants	2,632,706	2,524,733	428,234	416,847	3,060,940	2,941,580	4.06%
General revenues							
Property tax	3,731,501	3,579,932	-	-	3,731,501	3,579,932	4.23%
Income Surtax	695,369	645,279	-	-	695,369	645,279	7.76%
Sales and services tax	925,773	803,370	-	-	925,773	803,370	15.24%
Unrestricted state grants	5,992,493	5,675,601	-	-	5,992,493	5,675,601	5.58%
Unrestricted investment earnings	21,627	27,291	5,244	2,046	26,871	29,337	-8.41%
Other	101,291	72,067	-	-	101,291	72,067	40.55%
Total revenues	<u>14,501,445</u>	<u>13,666,618</u>	<u>653,972</u>	<u>702,673</u>	<u>15,155,417</u>	<u>14,369,291</u>	5.47%
Program expenses							
Governmental activities							
Instruction	8,538,491	8,352,482	-	-	8,538,491	8,352,482	2.23%
Support services	3,370,568	3,428,684	56,206	50,120	3,426,774	3,478,804	-1.50%
Non-instructional programs	1,257	8,579	626,592	645,880	627,849	654,459	-4.07%
Other expenses	1,669,839	1,889,411	-	-	1,669,839	1,889,411	-11.62%
Loss on disposal of capital assets	-	-	-	-	-	-	0.00%
Total expenses	<u>13,580,155</u>	<u>13,679,156</u>	<u>682,798</u>	<u>696,000</u>	<u>14,262,953</u>	<u>14,375,156</u>	-0.78%
Change in net assets before transfers	921,290	(12,538)	(28,826)	6,673	892,464	(5,865)	15316.78%
Transfers	-	-	-	-	-	-	0.00%
Change in net assets	<u>\$ 921,290</u>	<u>\$ (12,538)</u>	<u>\$ (28,826)</u>	<u>\$ 6,673</u>	<u>\$ 892,464</u>	<u>\$ (5,865)</u>	15316.78%

In fiscal 2012, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for service and sales and operating grants account for 99.2% of the revenue from business type activities.

The District's total revenues were \$15,155,417 of which \$14,501,445 was for governmental activities and \$653,972 was for business type activities. Revenues increased due to increased State Aid revenues over FY2011.

### **Governmental Activities**

Revenues for governmental activities were \$14,501,445 and expenses were \$13,580,155.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 8,538,491	\$ 8,352,482	2.2%	\$ 6,196,623	\$ 6,150,025	0.8%
Support services	3,370,568	3,428,684	-1.7%	3,323,849	3,385,072	-1.8%
Non-instructional programs	1,257	8,579	-85.3%	1,257	8,579	-85.3%
Other expenses	<u>1,669,839</u>	<u>1,889,411</u>	-11.6%	<u>1,025,035</u>	<u>1,272,402</u>	-19.4%
Total expenses	<u>\$ 13,580,155</u>	<u>\$ 13,679,156</u>	-0.7%	<u>\$ 10,546,764</u>	<u>\$ 10,816,078</u>	-2.5%

- The cost financed by users of the District's programs (Charges for Services) was \$400,685, an increase of 18.4% from 2011.
- Federal and state governments subsidized certain programs with operating and capital grants and contributions totaling \$2,632,706, an increase of 4.3% from 2011.
- The net cost of governmental activities was financed with \$5,352,643 in property and other taxes and \$5,992,493 in unrestricted state grants, an increase of 6.4% and 5.6%, respectively, from 2011.

### **Business Type Activities**

Revenues for business type activities were \$653,972 representing a 6.9% decrease from the prior year while expenses totaled \$682,798, a 1.9% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The 2008-09 student built home, a remodel home, was sold on contract during February, 2011 for \$71,000. The district receives monthly principal and interest payments from the buyer at 7% interest. A balloon payment is due in March, 2016.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, West Liberty Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,092,227, higher than last year's ending fund balances of \$1,084,001. The fluctuation in the District's governmental funds is the product of many factors. The District increased reserves in the Management Fund for cash flow and PPEL and Capital Projects Funds for future capital expenditures.

### **Governmental Fund Highlights**

- The General Fund balance increased from (\$474,749) to (\$59,513). The District deferred \$245,619 miscellaneous income from Federal Education Jobs Funds to use in 2011-2012, helping increase the General Fund balance.
- The Capital Projects Fund balance increased by \$505,353. The one major construction project in progress is a Multifunctional Tornado Safe Room at the high school. It will also serve as a wrestling/weight room and has a cost of \$1.2 million dollars. Completion date is late fall 2012.

### **Proprietary Fund Highlights**

Proprietary Fund net assets decreased from \$203,981 at June 30, 2011 to \$175,155 at June 30, 2012, representing a decrease of 14.1%. Proprietary Funds included the School Nutrition Fund and Student Built Home Construction Fund. The 2008-09 student built home, a remodel home, was sold on contract in February, 2011.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Liberty Community School District amended its annual budget one time by \$627,781 to reflect increases in prior year estimates, additional miscellaneous grants, sales tax revenue bonds, and construction expenditures.

The District's revenues were \$104,281 less than budgeted revenues, a variance of less than 1.0%.

Total expenditures were \$1,382,786 less than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always over estimating expenditures. The functional category of Non-Instructional Services expenditures was not estimated high enough.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, the District had invested \$17.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This

represents a small net decrease from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$888,305.

The original cost of the District's capital assets was \$27.7 million. Governmental funds account for \$27.3 million, with the remainder of \$375,938 accounted for in the Proprietary, School Nutrition Fund.

At the end fiscal year 2012, the District started a Construction in Progress project, a Multi-functional Tornado Safe Room that is being added to the high school. The project is being funded by Federal, State, and local match dollars and will be completed in November, 2012. The Tornado Safe Room will double as a wrestling and weight room.

Figure A-6

Capital Assets, Net of Depreciation							
Asset Category	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%
Construction in progress	250,628	83,052	-	-	250,628	83,052	201.77%
Buildings and improvements	15,591,128	16,208,495	-	-	15,591,128	16,208,495	-3.81%
Improvements, other than buildings	765,310	861,250	-	-	765,310	861,250	-11.14%
Furniture and equipment	<u>494,731</u>	<u>569,123</u>	<u>131,931</u>	<u>150,770</u>	<u>626,662</u>	<u>719,893</u>	-12.95%
Totals	<u>\$ 17,564,630</u>	<u>\$ 18,184,753</u>	<u>\$ 131,931</u>	<u>\$ 150,770</u>	<u>\$ 17,696,561</u>	<u>\$ 18,335,523</u>	-3.48%

## Long-Term Debt

At June 30, 2012 the District's governmental activities had \$9,798,401 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District issued Revenue Bonds in the amount of \$1,465,000 during fiscal year 2012 to pay off the Bond Anticipation Notes due July 1, 2012.

	Figure A-7		
	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	2012	2011	2011-2012
General obligation bonds	\$ 4,275,000	\$ 4,645,000	-7.97%
Revenue bonds	5,240,000	4,125,000	27.03%
Bond Anticipation Notes	-	1,285,000	-100.00%
Early retirement	16,668	33,334	-50.00%
Compensated absences	42,733	43,139	-0.94%
Net OPEB liability	224,000	144,000	55.56%
Total	<u>\$ 9,798,401</u>	<u>\$ 10,275,473</u>	-4.64%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The West Liberty CSD will see an unexpected enrollment decrease for FY2014 budgeting. Projections show a slight increase in FY2015 then steady through 2018. The unexpected decrease was not pin pointed to any one class, rather scattered throughout K-12. The kindergarten class was again in the 90's. Our budget enrollment averages out to be 1,200 over the last 5-10 years, which is where our budget enrollment is now.
- The deficit spending in the General Fund has been addressed in a variety of methods while still maintaining an environment for student learning and achievement. Reduction by attrition will provide saving in FY2013 with a management position not being filled due to retirement.
- The District negotiated to add back two furlough days taken in FY2011 and FY2012 with the West Liberty Education Association (WLEA). Starting in fiscal year 2013 the Board and WLEA agreed on changing insurance limits by increasing deductibles, co-pays, and prescription drug plan in order to save on increasing insurance costs.
- Our student data continues to show a growth in Hispanic population that will significantly impact the need for increased remedial programs for reading, At-Risk, and ESL/Dual Language.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Anderson, School Business Official and Board Secretary/Treasurer, West Liberty Community School District, 111 W 7<sup>th</sup> St, West Liberty, Iowa, 52776.



## Basic Financial Statements

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Foundation
<b>Assets</b>				
Cash and pooled investments	\$ 3,039,968	\$ 45,183	\$ 3,085,151	\$ 272,340
Investments	-	-	-	415,259
Receivables:				
Property tax:				
Current year	101,937	-	101,937	-
Succeeding year	3,993,245	-	3,993,245	-
Income surtax	683,713	-	683,713	-
Accounts	8,164	-	8,164	-
Due from other governments	381,787	2,329	384,116	-
Inventories	-	11,533	11,533	-
Prepaid expenses	1,473	-	1,473	-
Contract receivable (note 4)	-	70,027	70,027	-
Capital assets, net of accumulated depreciation (note 5)	17,564,630	131,931	17,696,561	-
<b>Total assets</b>	<b>25,774,917</b>	<b>261,003</b>	<b>26,035,920</b>	<b>687,599</b>
<b>Liabilities</b>				
Accounts payable	361,054	2,377	363,431	-
Due to other governments	10,905	-	10,905	-
Salaries and benefits payable	975,185	6,394	981,579	-
Accrued interest payable	94,695	-	94,695	-
Deferred revenue:				
Succeeding year property tax	3,993,245	-	3,993,245	-
Other	1,930	7,471	9,401	-
Long-term liabilities (note 7):				
Portion due within one year:				
Early retirement	16,668	-	16,668	-
Bonds payable	745,000	-	745,000	-
Compensated absences	42,733	-	42,733	-
Promissory note payable	-	1,102	1,102	-
Portion due after one year:				
Bonds payable	8,770,000	-	8,770,000	-
Net OPEB liability	224,000	-	224,000	-
Promissory note payable	-	68,504	68,504	-
<b>Total liabilities</b>	<b>15,235,415</b>	<b>85,848</b>	<b>15,321,263</b>	<b>-</b>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Foundation
Net Assets				
Invested in capital assets, net of related debt	\$ 8,049,630	\$ 131,931	\$ 8,181,561	\$ -
Restricted for:				
Categorical funding (note 12)	146,318	-	146,318	-
Debt service	915,603	-	915,603	-
Capital projects	332,554	-	332,554	-
Physical plant and equipment levy purposes	867,571	-	867,571	-
Management levy purposes	115,409	-	115,409	-
Student activities	108,364	-	108,364	-
Unrestricted	4,053	43,224	47,277	687,599
Total net assets	\$ <u>10,539,502</u>	\$ <u>175,155</u>	\$ <u>10,714,657</u>	\$ <u>687,599</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:	\$ 8,538,491	\$ 384,297	\$ 1,957,571	\$ -
Support services:				
Student services	357,268	-	250	-
Instructional staff services	501,167	5,468	23,086	-
Administration services	1,251,612	-	500	-
Operation and maintenance of plant services	819,704	7,321	5,544	-
Transportation services	440,817	3,599	951	-
	3,370,568	16,388	30,331	-
Non-instructional programs	1,257	-	-	-
Other expenditures:				
Facilities acquisition	100,958	-	-	198,047
Long-term debt interest and fiscal charges	368,106	-	-	-
AEA flowthrough	446,757	-	446,757	-
Depreciation (unallocated) *	754,018	-	-	-
	1,669,839	-	446,757	198,047
Total governmental activities	13,580,155	400,685	2,434,659	198,047
Business-Type Activities:				
Support services:				
Administration services	11,078	-	-	-
Operation and maintenance of plant services	45,128	-	-	-
	56,206	-	-	-
Non-instructional programs:				
Food service operations	626,592	220,494	428,234	-
Total business-type activities	682,798	220,494	428,234	-
Total primary government	\$ 14,262,953	\$ 621,179	\$ 2,862,893	\$ 198,047

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental	Business-Type		Unit
Activities	Activities	Total	Foundation
\$ (6,196,623)	\$ -	\$ (6,196,623)	\$ -
(357,018)	-	(357,018)	-
(472,613)	-	(472,613)	-
(1,251,112)	-	(1,251,112)	-
(806,839)	-	(806,839)	-
(436,267)	-	(436,267)	-
(3,323,849)	-	(3,323,849)	-
(1,257)	-	(1,257)	-
97,089	-	97,089	-
(368,106)	-	(368,106)	-
-	-	-	-
(754,018)	-	(754,018)	-
(1,025,035)	-	(1,025,035)	-
(10,546,764)	-	(10,546,764)	-
-	(11,078)	(11,078)	-
-	(45,128)	(45,128)	-
-	(56,206)	(56,206)	-
-	22,136	22,136	-
-	(34,070)	(34,070)	-
(10,546,764)	(34,070)	(10,580,834)	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Unit:				
Foundation	\$ 58,532	\$ -	\$ -	\$ -

General revenues:

Property tax levied for:  
 General purposes  
 Debt service  
 Capital outlay  
 Income surtax  
 Statewide sales, services and use tax  
 Unrestricted state and federal grants  
 Unrestricted investment earnings  
 Contributions and donations  
 Other  
 Increase in fair value of investments

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental Activities	Business-Type Activities	Total	Unit Foundation
\$ -	\$ -	\$ -	\$ (58,532)
\$ 3,399,034	\$ -	\$ 3,399,034	\$ -
225,353	-	225,353	-
107,114	-	107,114	-
695,369	-	695,369	-
925,773	-	925,773	-
5,992,493	-	5,992,493	-
21,627	5,244	26,871	1,822
-	-	-	71,543
101,291	-	101,291	-
-	-	-	9,677
11,468,054	5,244	11,473,298	83,042
921,290	(28,826)	892,464	24,510
9,618,212	203,981	9,822,193	663,089
\$ 10,539,502	\$ 175,155	\$ 10,714,657	\$ 687,599

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 945,387	\$ 443,943	\$ 1,316,702	\$ 241,908	\$ 2,947,940
Receivables:					
Property tax:					
Current year	86,929	7,355	2,849	4,804	101,937
Succeeding year	3,363,657	340,273	109,315	180,000	3,993,245
Income surtax	384,589	-	299,124	-	683,713
Accounts	8,114	-	-	50	8,164
Due from other governments	128,363	-	253,424	-	381,787
Prepaid expenses	1,473	-	-	-	1,473
<b>Total assets</b>	<u>\$ 4,918,512</u>	<u>\$ 791,571</u>	<u>\$ 1,981,414</u>	<u>\$ 426,762</u>	<u>\$ 8,118,259</u>



WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 242,340	\$ -	\$ 112,974	\$ 5,740	\$ 361,054
Due to other governments	10,905	-	-	-	10,905
Salaries and benefits payable	974,604	-	-	581	975,185
Deferred revenue:					
Succeeding year property tax	3,363,657	340,273	109,315	180,000	3,993,245
Other	386,519	-	299,124	-	685,643
Total liabilities	<u>4,978,025</u>	<u>340,273</u>	<u>521,413</u>	<u>186,321</u>	<u>6,026,032</u>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid expenses	1,473	-	-	-	1,473
Restricted for:					
Categorical funding (note 12)	146,318	-	-	-	146,318
Revenue bonds	-	-	559,000	-	559,000
Revenue bonds sinking fund	-	435,325	-	-	435,325
Debt service	-	15,973	-	-	15,973
School infrastructure	-	-	332,554	-	332,554
Physical plant and equipment	-	-	568,447	-	568,447
Management levy purposes	-	-	-	132,077	132,077
Student activities	-	-	-	108,364	108,364
Unassigned	(207,304)	-	-	-	(207,304)
Total fund balances	<u>(59,513)</u>	<u>451,298</u>	<u>1,460,001</u>	<u>240,441</u>	<u>2,092,227</u>
Total liabilities and fund balances	<u>\$ 4,918,512</u>	<u>\$ 791,571</u>	<u>\$ 1,981,414</u>	<u>\$ 426,762</u>	<u>\$ 8,118,259</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2012

Total fund balances of governmental funds	\$ 2,092,227
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	17,564,630
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	683,713
The Internal Service Fund is used to charge the costs of the flexible benefits plan and the partial self-funded insurance plan to the governmental funds and is therefore included in governmental activities.	92,028
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(94,695)
Long-term liabilities, including early retirement, bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,798,401)</u>
Net assets of governmental activities	<u>\$ 10,539,502</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,561,447	\$ 225,271	\$ 1,339,927	\$ 182,637	\$ 5,309,282
Tuition	155,696	-	-	-	155,696
Other	239,160	850	40,238	246,245	526,493
State sources	7,508,188	82	16,593	66	7,524,929
Federal sources	751,617	-	145,799	-	897,416
Total revenues	12,216,108	226,203	1,542,557	428,948	14,413,816
Expenditures:					
Current:					
Instruction	8,226,558	-	-	221,748	8,448,306
Support services:					
Student services	352,869	-	-	923	353,792
Instructional staff services	508,692	-	-	2,496	511,188
Administration services	1,209,576	-	24,154	3,544	1,237,274
Operation and maintenance of plant services	721,832	-	13,907	86,903	822,642
Transportation services	342,044	-	9,775	22,696	374,515
	3,135,013	-	47,836	116,562	3,299,411
Non-instructional programs	1,257	-	-	-	1,257
Other expenditures:					
Facilities acquisition	-	-	319,191	-	319,191
Long term debt:					
Principal	-	2,005,000	-	-	2,005,000
Interest and fiscal charges	-	350,311	45,376	-	395,687
AEA flowthrough	446,757	-	-	-	446,757
	446,757	2,355,311	364,567	-	3,166,635
Total expenditures	11,809,585	2,355,311	412,403	338,310	14,915,609
Excess (deficiency) of revenues over (under) expenditures	406,523	(2,129,108)	1,130,154	90,638	(501,793)

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 1,750	\$ -	\$ -	\$ -	\$ 1,750
Compensation for loss of capital assets	7,575	-	-	-	7,575
Revenue bonds issued	-	-	1,465,000	-	1,465,000
Premium on bonds issued	-	-	35,694	-	35,694
Anticipatory warrants issued (note 6)	943,000	-	-	-	943,000
Anticipatory warrants redeemed (note 6)	(943,000)	-	-	-	(943,000)
Interfund transfers in (note 3)	1,352	2,127,728	2,233	1,964	2,133,277
Interfund transfers out (note 3)	(1,964)	-	(2,127,728)	(3,585)	(2,133,277)
Total other financing sources (uses)	8,713	2,127,728	(624,801)	(1,621)	1,510,019
Net change in fund balances	415,236	(1,380)	505,353	89,017	1,008,226
Fund balances beginning of year	(474,749)	452,678	954,648	151,424	1,084,001
Fund balances end of year	\$ (59,513)	\$ 451,298	\$ 1,460,001	\$ 240,441	\$ 2,092,227

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 1,008,226

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 249,343	
Depreciation expense	<u>(869,466)</u>	(620,123)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities.	42,009
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The change in net assets of the Internal Service Fund is included in governmental activities due to the integral nature of these activities to the governmental funds.	(13,475)
--	----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	(1,465,000)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	2,005,000
--	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	27,581
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	16,666	
Compensated absences	406	
Net OPEB liability	<u>(80,000)</u>	<u>(62,928)</u>

Change in net assets of governmental activities	\$ <u><u>921,290</u></u>
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See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

	Enterprise			Internal
	School Nutrition	Nonmajor	Total	Service
<b>Assets</b>				
Cash and cash equivalents	\$ 44,493	\$ 690	\$ 45,183	\$ 92,028
Due from other governments	2,329	-	2,329	-
Inventories	11,533	-	11,533	-
Contract receivable (note 4)	-	70,027	70,027	-
Capital assets, net of accumulated depreciation (note 5)	131,931	-	131,931	-
Total assets	<u>190,286</u>	<u>70,717</u>	<u>261,003</u>	<u>92,028</u>
<b>Liabilities</b>				
Accounts payable	2,377	-	2,377	-
Salaries and benefits payable	6,394	-	6,394	-
Deferred revenue	7,471	-	7,471	-
Promissory note payable (note 7)	-	69,606	69,606	-
Total liabilities	<u>16,242</u>	<u>69,606</u>	<u>85,848</u>	<u>-</u>
<b>Net Assets</b>				
Invested in capital assets	131,931	-	131,931	-
Unrestricted:				
Food services	42,113	-	42,113	-
Student construction	-	1,111	1,111	-
Partial self-funded insurance plan	-	-	-	84,118
Flex benefits	-	-	-	7,910
Total net assets	<u>\$ 174,044</u>	<u>\$ 1,111</u>	<u>\$ 175,155</u>	<u>\$ 92,028</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Enterprise			Internal
	School Nutrition	Nonmajor	Total	Service
Operating revenues:				
Local sources:				
Charges for services	\$ 220,494	\$ -	\$ 220,494	\$ 105,619
Operating expenses:				
Support services:				
Administration services	6,694	4,384	11,078	-
Operation and maintenance of plant services	45,128	-	45,128	-
Non-instructional programs	626,592	-	626,592	119,695
	<u>678,414</u>	<u>4,384</u>	<u>682,798</u>	<u>119,695</u>
Operating loss	(457,920)	(4,384)	(462,304)	(14,076)
Non-operating revenues:				
Interest on investments	303	4,941	5,244	601
State sources	6,184	-	6,184	-
Federal sources	422,050	-	422,050	-
Total non-operating revenues	<u>428,537</u>	<u>4,941</u>	<u>433,478</u>	<u>601</u>
Change in net assets	(29,383)	557	(28,826)	(13,475)
Net assets beginning of year	<u>203,427</u>	<u>554</u>	<u>203,981</u>	<u>105,503</u>
Net assets end of year	<u>\$ 174,044</u>	<u>\$ 1,111</u>	<u>\$ 175,155</u>	<u>\$ 92,028</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Enterprise			Internal
	School Nutrition	Nonmajor	Total	Service
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 218,693	\$ -	\$ 218,693	\$ -
Cash received from miscellaneous operating activities	649	817	1,466	105,619
Cash payments to employees for services	(329,397)	-	(329,397)	(119,695)
Cash payments to suppliers for goods or services	(298,729)	(4,384)	(303,113)	-
Net cash used by operating activities	(408,784)	(3,567)	(412,351)	(14,076)
Cash flows from non-capital financing activities:				
State grants received	6,184	-	6,184	-
Federal grants received	388,582	-	388,582	-
Promissory note repayments	-	(1,118)	(1,118)	-
Net cash provided by (used by) non-capital financing activities	394,766	(1,118)	393,648	-
Cash flows from investing activities:				
Interest on investments	303	4,941	5,244	601
Net increase (decrease) in cash and cash equivalents	(13,715)	256	(13,459)	(13,475)
Cash and cash equivalents beginning of year	58,208	434	58,642	105,503
Cash and cash equivalents end of year	\$ 44,493	\$ 690	\$ 45,183	\$ 92,028



WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Enterprise			Internal
	School Nutrition	Nonmajor	Total	Service
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (457,920)	\$ (4,384)	\$ (462,304)	\$ (14,076)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	18,839	-	18,839	-
Commodities used	34,396	-	34,396	-
Decrease in inventories	342	-	342	-
Decrease in contract receivable	-	817	817	-
(Decrease) in accounts payable	(838)	-	(838)	-
(Decrease) in salaries and benefits payable	(2,451)	-	(2,451)	-
(Decrease) in deferred revenue	(1,152)	-	(1,152)	-
Net cash used by operating activities	\$ <u>(408,784)</u>	\$ <u>(3,567)</u>	\$ <u>(412,351)</u>	\$ <u>(14,076)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$34,396 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
June 30, 2012

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ 6,016
Accounts receivable	<u>84</u>
Total assets	\$ <u><u>6,100</u></u>
Liabilities:	
Other payables	\$ <u><u>6,100</u></u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>250</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>250</u>
Change in net assets	-
Net assets beginning of year	<u>-</u>
Net assets end of year	\$ <u><u>-</u></u>
See notes to financial statements.	

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

#### Note 1. Summary of Significant Accounting Policies

West Liberty Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. The geographic area served includes the Cities of West Liberty, Atalissa, and Nichols, Iowa, and agricultural territory in Muscatine, Cedar, and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, West Liberty Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. West Liberty Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

The financial statements present the West Liberty Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

##### Discretely Presented Component Unit

The West Liberty Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation financial statements are shown on the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Report, the Foundation financial statements have not been audited.

**Jointly Governed Organizations** – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Muscatine and Cedar County Assessor's Conference Boards.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.



WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Asset Class	Amount
Land	\$ 2,500
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue for governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary finds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments (continued)

At June 30, 2012, the District had investments as follows:

	<u>Fair Value</u>
Money Market Mutual Fund	\$ <u>441,050</u>

The investments are valued at fair value.

Credit Risk – The investment in the Money Market Mutual Fund was rated AAAM by Standard & Poor's Financial Services.

Component Unit Investments – The Foundation had investments in mutual funds as follows:

	<u>Fair Value</u>
Mutual Funds	\$ <u>415,259</u>

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue - Student Activity	\$ 1,352
Debt Service	Capital Projects	2,127,728
Capital Projects	Special Revenue - Student Activity	2,233
Special Revenue - Student Activity	General	<u>1,964</u>
Total		\$ <u>2,133,277</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Contract Receivable

At June 30, 2012, the District has a long-term contract receivable for the sale of the student construction house. The contract requires monthly payments of \$472.36 and includes interest at 7%. A summary of the payment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 792	\$ 4,876	\$ 5,668
2014	849	4,819	5,668
2015	910	4,758	5,668
2016	67,476	3,526	71,002
	<u>\$ 70,027</u>	<u>\$ 17,979</u>	<u>\$ 88,006</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	83,052	167,576	-	250,628
Total capital assets not being depreciated	<u>545,885</u>	<u>167,576</u>	<u>-</u>	<u>713,461</u>
Capital assets being depreciated:				
Buildings	23,543,844	15,343	-	23,559,187
Improvements other than buildings	1,471,267	-	-	1,471,267
Furniture and equipment	1,682,551	66,424	107,576	1,641,399
Total capital assets being depreciated	<u>26,697,662</u>	<u>81,767</u>	<u>107,576</u>	<u>26,671,853</u>
Less accumulated depreciation for:				
Buildings	7,335,349	632,710	-	7,968,059
Improvements other than buildings	610,017	95,940	-	705,957
Furniture and equipment	1,113,428	140,816	107,576	1,146,668
Total accumulated depreciation	<u>9,058,794</u>	<u>869,466</u>	<u>107,576</u>	<u>9,820,684</u>
Total capital assets being depreciated, net	<u>17,638,868</u>	<u>(787,699)</u>	<u>-</u>	<u>16,851,169</u>
Governmental activities capital assets, net	<u>\$ 18,184,753</u>	<u>\$ (620,123)</u>	<u>\$ -</u>	<u>\$ 17,564,630</u>
Business-type activities:				
Furniture and equipment	\$ 375,938	\$ -	\$ -	\$ 375,938
Less accumulated depreciation	<u>225,168</u>	<u>18,839</u>	<u>-</u>	<u>244,007</u>
Business-type activities capital assets, net	<u>\$ 150,770</u>	<u>\$ (18,839)</u>	<u>\$ -</u>	<u>\$ 131,931</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 38,669
Support services:	
Student services	116
Instructional staff services	616
Administration services	1,576
Operation and maintenance of plant services	5,165
Transportation services	69,306
	<u>115,448</u>
Unallocated depreciation	<u>754,018</u>
 Total governmental activities depreciation expense	 \$ <u>869,466</u>
Business-type activities:	
Food service operations	\$ <u>18,839</u>

Note 6. Short-Term Liabilities

During the year ended June 30, 2012, the District issued \$943,000 of anticipatory warrants. The anticipatory warrants were necessary to provide temporary financing during periods of low cash flows in the General Fund and included interest at 4%.

A summary of the short-term debt activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Anticipatory warrants	\$ <u>-</u>	\$ <u>943,000</u>	\$ <u>943,000</u>	\$ <u>-</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 33,334	\$ -	\$ 16,666	\$ 16,668	\$ 16,668
General obligation bonds	4,645,000	-	370,000	4,275,000	390,000
Revenue bonds	4,125,000	1,465,000	350,000	5,240,000	355,000
Revenue bond anticipation notes	1,285,000	-	1,285,000	-	-
Compensated absences	43,139	42,733	43,139	42,733	42,733
Net OPEB liability	144,000	80,000	-	224,000	-
Total	<u>\$ 10,275,473</u>	<u>\$ 1,587,733</u>	<u>\$ 2,064,805</u>	<u>\$ 9,798,401</u>	<u>\$ 804,401</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Promissory note	<u>\$ 70,724</u>	<u>\$ -</u>	<u>\$ 1,118</u>	<u>\$ 69,606</u>	<u>\$ 1,102</u>

Early Retirement

For the year ended June 30, 2010 only, the District offered a one-time retirement plan to all certified employees with at least 20 years of service to the District. The early retirement benefit was equal to 50% of the employee's base salary subject to a maximum of \$25,000 per individual. Early retirement benefits will be paid in three equal annual installments beginning January 2011 into a 401(a)/403(b) plan.

Early retirees may also continue participation in the District's health care plan at the employee's own expense as long as the employee qualifies to be covered by the District's carrier.

At June 30, 2012, the District has obligations to two participants with a total liability of \$16,668. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$16,666. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 1, 2010			
	Interest Rates	Principal	Interest	Total
2013	1.10 %	\$ 390,000	\$ 99,772	\$ 489,772
2014	1.35	395,000	95,483	490,483
2015	1.70	405,000	90,150	495,150
2016	2.00	410,000	83,265	493,265
2017	2.25	420,000	75,065	495,065
2018-2022	2.50-3.20	2,255,000	208,580	2,463,580
		<u>\$ 4,275,000</u>	<u>\$ 652,315</u>	<u>\$ 4,927,315</u>

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2012 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 26, 2008			
	Interest Rates	Principal	Interest	Total
2013	4.50 %	\$ 355,000	\$ 152,663	\$ 507,663
2014	4.50	370,000	136,351	506,351
2015	4.50	390,000	119,251	509,251
2016	4.50	400,000	101,476	501,476
2017	4.50	415,000	83,138	498,138
2018-2021	4.00	1,845,000	151,300	1,996,300
		<u>\$ 3,775,000</u>	<u>\$ 744,179</u>	<u>\$ 4,519,179</u>



WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

Issue dated April 18, 2012				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	- %	\$ -	\$ 20,591	\$ 20,591
2014	2.00	150,000	27,800	177,800
2015	2.00	170,000	24,600	194,600
2016	2.00	175,000	21,150	196,150
2017	2.00	180,000	17,600	197,600
2018-2021	2.00	790,000	31,900	821,900
		<u>\$ 1,465,000</u>	<u>\$ 143,641</u>	<u>\$ 1,608,641</u>
		Total		
Year Ending June 30,		Principal	Interest	Total
2013		\$ 355,000	\$ 173,254	\$ 528,254
2014		520,000	164,151	684,151
2015		560,000	143,851	703,851
2016		575,000	122,626	697,626
2017		595,000	100,738	695,738
2018-2021		2,635,000	183,200	2,818,200
		<u>\$ 5,240,000</u>	<u>\$ 887,820</u>	<u>\$ 6,127,820</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$4,125,000 and \$1,465,000 bonds issued in June 2008 and April 2012, respectively. The bonds were issued for the purposes of financing a portion of the costs of various school infrastructure projects and refunding the bond anticipation project notes. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2021. The bonds are not general obligations of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds and notes are expected to require approximately 55 percent to 75 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,127,820. For the current year, \$1,635,000 of principal and \$255,079 of interest was paid on the bonds and bond anticipation project notes and total statewide sales and services tax revenues were \$925,773.

# WEST LIBERTY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 7. Long-Term Liabilities (continued)

#### Local Option Sales and Services Tax Revenue Bonds (continued)

The resolution providing for the issuance of the school infrastructure local option (statewide) sales and services tax revenue bonds include the following provisions:

- a) \$412,500 and \$146,500 of the proceeds from the issuances of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Accounts. The balance of the proceeds shall be deposited in the Project Account.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Account.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Local Option Sales and Services Tax Revenue Bond and Interest Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Promissory Note

In March 2011, the District entered into a promissory note agreement for \$71,087.13. The note repaid the two outstanding short-term bank loans. The note calls for monthly payments of \$383.79 and includes interest at 5% until March 5, 2016, after which time the interest rate may change. The interest rate will be adjusted to the Wall Street Journal U.S. Prime Rate plus 1.75 percent, but not less than 5%, on March 5, 2016 and every five years thereafter. Any interest rate change would also change the required monthly payment. The note is secured by a mortgage on the student construction house.

Details of the District's June 30, 2012 promissory note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,102	\$ 3,503	\$ 4,605
2014	1,159	3,446	4,605
2015	1,219	3,386	4,605
2016	1,274	3,331	4,605
2017	1,349	3,256	4,605
2018-2022	7,859	15,169	23,028
2023-2027	10,123	12,905	23,028
2028-2032	13,032	9,996	23,028
2033-2037	16,792	6,236	23,028
2038-2041	15,697	1,574	17,271
	<u>\$ 69,606</u>	<u>\$ 62,802</u>	<u>\$ 132,408</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB)

**Plan Description** – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 149 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation** – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 96,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(9,000)</u>
Annual OPEB cost	90,000
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	80,000
Net OPEB obligation beginning of year	<u>144,000</u>
Net OPEB obligation end of year	<u><u>\$ 224,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$10,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 90,000	11.1%	\$ 224,000

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$425,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$425,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,469,000, and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 9. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$574,461, \$483,156, and \$416,102, respectively, equal to the required contributions for each year.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Risk Management

West Liberty Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Partial Self-funded Health Insurance

The District utilizes a partial self-funded/partial fully funded health insurance plan. The District purchases a base plan from Wellmark with a \$750 single and \$1,500 family deductible and \$1,500 single and \$3,000 family out of pocket maximums. The District partial self-funds down to a \$250 single and \$500 family deductible plan with a maximum out of pocket of \$500 for single and \$1,000 for family. Payments to Wellmark are made for the premiums and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-funded plan deposits and the independent administrator funds/pays for the claim exposure between the two, or \$1,000 for single and \$2,000 for family. After the total exposure has been maximized, the fully-funded carrier pays 100%. The District estimates that 25% of those covered will reach full maximum exposure.

At June 30, 2012, the District had accumulated \$84,118 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. All submitted claims had been paid or accrued at June 30, 2012. The District is contingently liable for any claims in excess of funds available at June 30, 2012.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported which represent estimates of the eventual loss on claims arising prior to year-end. Claims liabilities are reported in the financial statements in other current liabilities. There was no liability reported for unpaid claims in the past three fiscal years.

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$446,757 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 589
Gifted and talented programs	12,756
Returning dropouts and dropout prevention programs	100,620
Beginning teacher mentoring and induction	3,544
Professional development for model core curriculum	13,194
Professional development	<u>15,615</u>
 Total	 \$ <u>146,318</u>

Note 13. Construction Commitments

The District has entered into a contract totaling \$1,058,000 for a tornado safe room. As of June 30, 2012, costs of \$159,086 had been incurred against the contract. The balance of \$898,914 remaining at June 30, 2012 will be paid as work on the project progresses.

Note 14. Subsequent Event

In July 2012, the District approved the issuance of up to \$1,500,000 in anticipatory warrants to be drawn down as needed. The anticipatory warrants will be used to cover the cumulative cash flow deficit in the General Fund in order to pay when due the legal obligations of the District. The District has drawn down \$750,000 in August 2012. The warrants are due on July 11, 2013 and include interest at 3.5%.

## Required Supplementary Information

# WEST LIBERTY COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

### Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 5,991,471	\$ 225,738	\$ 6,217,209	\$ 5,988,120	\$ 5,988,120	\$ 229,089
State sources	7,524,929	6,184	7,531,113	7,639,247	7,639,247	(108,134)
Federal sources	897,416	422,050	1,319,466	1,544,702	1,544,702	(225,236)
Total revenues	14,413,816	653,972	15,067,788	15,172,069	15,172,069	(104,281)
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	8,448,306	-	8,448,306	8,630,754	8,630,754	182,448
Support services	3,299,411	56,206	3,355,617	3,276,697	3,560,963	205,346
Non-instructional programs	1,257	626,592	627,849	603,948	603,948	(23,901)
Other expenditures	3,166,635	-	3,166,635	3,842,013	4,185,528	1,018,893
Total expenditures/expenses	14,915,609	682,798	15,598,407	16,353,412	16,981,193	1,382,786
Excess (deficiency) of revenues over (under) expenditures/ expenses	(501,793)	(28,826)	(530,619)	(1,181,343)	(1,809,124)	1,278,505
Other financing sources, net	1,510,019	-	1,510,019	155	155	1,509,864
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,008,226	(28,826)	979,400	(1,181,188)	(1,808,969)	2,788,369
Balance beginning of year	1,084,001	203,981	1,287,982	1,193,098	1,193,098	94,884
Balance end of year	\$ 2,092,227	\$ 175,155	\$ 2,267,382	\$ 11,910	\$ (615,871)	\$ 2,883,253

See accompanying independent auditor's report.



WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$627,781.

During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount budgeted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 453	\$ 453	0.0%	\$ 7,348	6.2%
2011	July 1, 2009	-	446	446	0.0%	7,311	6.1%
2012	July 1, 2009	-	425	425	0.0%	7,469	5.7%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Supplementary Information

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 127,523	\$ 114,385	\$ 241,908
Receivables:			
Property tax:			
Current year	4,804	-	4,804
Succeeding year	180,000	-	180,000
Accounts	-	50	50
<b>Total assets</b>	<b>\$ 312,327</b>	<b>\$ 114,435</b>	<b>\$ 426,762</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 250	\$ 5,490	\$ 5,740
Salaries and benefits payable	-	581	581
Deferred revenue:			
Succeeding year property tax	180,000	-	180,000
<b>Total liabilities</b>	<b>180,250</b>	<b>6,071</b>	<b>186,321</b>
<b>Fund balances:</b>			
Restricted for:			
Management levy purposes	132,077	-	132,077
Student activities	-	108,364	108,364
<b>Total fund balances</b>	<b>132,077</b>	<b>108,364</b>	<b>240,441</b>
<b>Total liabilities and fund balances</b>	<b>\$ 312,327</b>	<b>\$ 114,435</b>	<b>\$ 426,762</b>

See accompanying independent auditor's report.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 182,637	\$ -	\$ 182,637
Other	15,087	231,158	246,245
State sources	66	-	66
Total revenues	197,790	231,158	428,948
Expenditures:			
Current:			
Instruction	46,534	175,214	221,748
Support services:			
Student services	923	-	923
Instructional staff services	820	1,676	2,496
Administration services	3,331	213	3,544
Operation and maintenance of plant services	85,456	1,447	86,903
Transportation services	22,065	631	22,696
Total expenditures	159,129	179,181	338,310
Excess of revenues over expenditures	38,661	51,977	90,638
Other financing sources (uses):			
Interfund transfers in	-	1,964	1,964
Interfund transfers out	-	(3,585)	(3,585)
Total other financing sources (uses)	-	(1,621)	(1,621)
Net change in fund balances	38,661	50,356	89,017
Fund balances beginning of year	93,416	58,008	151,424
Fund balances end of year	\$ 132,077	\$ 108,364	\$ 240,441

See accompanying independent auditor's report.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 771,745	\$ 335,199	\$ 209,758	\$ 1,316,702
Receivables:				
Property tax:				
Current year	-	2,849	-	2,849
Succeeding year	-	109,315	-	109,315
Income surtax	-	299,124	-	299,124
Due from other governments	119,809	-	133,615	253,424
<b>Total assets</b>	<b>\$ 891,554</b>	<b>\$ 746,487</b>	<b>\$ 343,373</b>	<b>\$ 1,981,414</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 24,051	\$ 88,923	\$ 112,974
Deferred revenue:				
Succeeding year property tax	-	109,315	-	109,315
Other	-	299,124	-	299,124
<b>Total liabilities</b>	<b>-</b>	<b>432,490</b>	<b>88,923</b>	<b>521,413</b>
<b>Fund balances:</b>				
Restricted for:				
Revenue bonds	559,000	-	-	559,000
School infrastructure	332,554	-	-	332,554
Physical plant and equipment	-	313,997	254,450	568,447
<b>Total fund balances</b>	<b>891,554</b>	<b>313,997</b>	<b>254,450</b>	<b>1,460,001</b>
<b>Total liabilities and fund balances</b>	<b>\$ 891,554</b>	<b>\$ 746,487</b>	<b>\$ 343,373</b>	<b>\$ 1,981,414</b>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 925,773	\$ 414,154	\$ -	\$ 1,339,927
Other	14,884	25,130	224	40,238
State sources	-	39	16,554	16,593
Federal sources	-	21,649	124,150	145,799
Total revenues	940,657	460,972	140,928	1,542,557
Expenditures:				
Current:				
Support services:				
Administration services	-	24,154	-	24,154
Operation and maintenance of plant services	-	13,907	-	13,907
Transportation services	-	9,775	-	9,775
Other expenditures:				
Facilities acquisition	3,780	147,836	167,575	319,191
Long-term debt:				
Interest and fiscal charges	45,376	-	-	45,376
Total expenditures	49,156	195,672	167,575	412,403
Excess (deficiency) of revenues over (under) expenditures	891,501	265,300	(26,647)	1,130,154
Other financing sources (uses):				
Revenue bonds issued	1,465,000	-	-	1,465,000
Premium on bonds issued	35,694	-	-	35,694
Interfund transfers in	-	2,233	-	2,233
Interfund transfers out	(1,960,837)	(166,891)	-	(2,127,728)
Intrafund transfers in	-	-	242,450	242,450
Intrafund transfers out	(242,450)	-	-	(242,450)
Total other financing sources (uses)	(702,593)	(164,658)	242,450	(624,801)
Net change in fund balances	188,908	100,642	215,803	505,353
Fund balances beginning of year	702,646	213,355	38,647	954,648
Fund balances end of year	\$ 891,554	\$ 313,997	\$ 254,450	\$ 1,460,001

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues/ Transfers In	Expenditures/ Transfers Out	Balance End of Year
District Wide:				
Miscellaneous	\$ 3	\$ 1,324	\$ 1,312	\$ 15
Field Trips	-	270	270	-
Booster Club Reimbursement	-	9,598	9,598	-
Fine Arts Booster Donation	-	247	247	-
Elementary:				
Student Council	220	1,013	950	283
Junior High:				
Athletics	-	100	100	-
Activity Tickets Resale	-	1	1	-
Boys' Basketball	-	1,513	1,513	-
Football	-	730	730	-
Boys' Track	-	302	302	-
Wrestling	-	375	375	-
Girls' Basketball	-	1,613	1,613	-
Girls' Volleyball	-	897	897	-
Girls' Track	-	272	272	-
Softball	-	632	632	-
Eighth Grade	1,200	-	-	1,200
Seventh Grade	600	-	-	600
Student Council	1,866	1,896	1,760	2,002
High School:				
Drama	8,866	5,127	7,496	6,497
Band	-	491	491	-
Show Choir Resale	-	2,697	2,233	464
Vocal	-	178	178	-
Color Guard	383	-	-	383
High School FB, BB, WR Fundraiser	1,422	1,102	2,085	439
Athletics	(5,684)	9,906	2,711	1,511
Cross Country	-	1,590	1,590	-
Cross Country Fundraiser	-	37	-	37
Cross Country Resale Fund	-	768	768	-
HS Cheerleading	495	2,236	2,071	660
Dance Team Fund	196	-	-	196
Boys' Basketball	-	4,329	4,329	-
Boys' Basketball Fundraiser	1,690	5,370	4,406	2,654
Football	-	8,599	8,599	-
Football Fundraiser	989	25,711	12,064	14,636
Boys' Soccer	-	4,817	4,817	-
Boys' Soccer Fundraiser	979	789	105	1,663
Baseball	-	5,666	5,666	-



WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues/ Transfers In	Expenditures/ Transfers Out	Balance End of Year
High School (continued):				
Baseball Fundraiser	\$ 1,355	\$ 6,948	\$ 4,286	\$ 4,017
Boys' Track	297	5,520	5,393	424
Boys' Golf	905	688	989	604
Wrestling	236	7,552	5,949	1,839
Girls' Basketball	-	3,575	3,575	-
Girls' Basketball Fundraiser	1,123	1,800	1,785	1,138
Volleyball	-	12,113	12,113	-
Volleyball Fundraiser	-	5,044	4,672	372
Girls' Soccer	182	6,936	2,875	4,243
Softball	-	3,135	3,135	-
Softball Fundraiser	2,512	2,734	2,539	2,707
Girls' Track	-	4,832	4,832	-
Girls' Track Resale	807	884	1,017	674
Girls' Golf	-	522	522	-
Girls' Golf Fundraiser	886	3,500	3,728	658
Seniors	-	100	100	-
Juniors	794	2,640	2,347	1,087
Sophomore	1,495	-	164	1,331
Freshmen	1,355	-	178	1,177
FHA	752	3	-	755
FFA	24,170	43,453	37,513	30,110
Greenhouse Fund	8,546	6,093	3,204	11,435
Anime Fund	65	-	-	65
Journalism	-	-	-	-
IT Club	32	170	177	25
National Honor Society	2,116	305	222	2,199
Student Council	969	811	947	833
Trapshooting	-	100	-	100
Yearbook #2	(3,814)	13,468	323	9,331
	<u>\$ 58,008</u>	<u>\$ 233,122</u>	<u>\$ 182,766</u>	<u>\$ 108,364</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 6,439	\$ 89,642	\$ 90,065	\$ 6,016
Accounts receivable	-	84	-	84
	<u>6,439</u>	<u>89,726</u>	<u>90,065</u>	<u>6,100</u>
<b>Total assets</b>	<b>\$ 6,439</b>	<b>\$ 89,726</b>	<b>\$ 90,065</b>	<b>\$ 6,100</b>
<b>Liabilities</b>				
Other payables	\$ 6,439	\$ 89,726	\$ 90,065	\$ 6,100

See accompanying independent auditor's report.

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 5,309,282	\$ 4,979,853	\$ 4,720,809	\$ 4,686,294
Tuition	155,696	142,119	142,207	164,003
Other	526,493	487,757	705,817	434,483
State sources	7,524,929	7,111,211	6,176,719	6,452,519
Federal sources	897,416	864,780	1,279,692	556,461
Total revenues	<u>\$ 14,413,816</u>	<u>\$ 13,585,720</u>	<u>\$ 13,025,244</u>	<u>\$ 12,293,760</u>
Expenditures:				
Instruction	\$ 8,448,306	\$ 8,247,609	\$ 8,487,941	\$ 7,725,626
Support services:				
Student services	353,792	359,987	221,847	326,200
Instructional staff services	511,188	580,150	745,109	511,892
Administration services	1,237,274	1,208,088	1,184,719	1,130,992
Operation and maintenance of plant services	822,642	872,330	894,554	824,556
Transportation services	374,515	429,857	483,283	362,809
Non-instructional programs	1,257	8,579	14,755	1,784
Other expenditures:				
Facilities acquisition	319,191	192,023	2,929,715	3,887,559
Long-term debt:				
Principal	2,005,000	600,000	575,000	555,000
Interest and fiscal charges	395,687	521,896	451,186	371,496
AEA flowthrough	446,757	480,501	473,195	413,549
Total expenditures	<u>\$ 14,915,609</u>	<u>\$ 13,501,020</u>	<u>\$ 16,461,304</u>	<u>\$ 16,111,463</u>

See accompanying independent auditor's report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 4,383,660	\$ 4,122,480	\$ 3,947,341	\$ 3,672,741
183,998	97,217	87,345	113,168
414,123	401,798	329,952	2,378,613
6,567,602	6,058,991	5,449,822	5,131,990
475,743	455,182	555,366	1,020,523
<u>\$ 12,025,126</u>	<u>\$ 11,135,668</u>	<u>\$ 10,369,826</u>	<u>\$ 12,317,035</u>
\$ 7,045,643	\$ 6,787,865	\$ 6,433,053	\$ 6,197,702
261,395	203,932	190,986	216,691
497,392	501,013	568,994	394,044
1,117,851	967,867	933,439	824,547
839,878	753,719	734,840	624,595
378,165	408,584	367,395	329,810
8,543	3,453	-	-
577,412	469,248	466,161	5,687,846
535,000	510,000	500,000	505,744
304,478	327,028	348,842	372,421
404,516	383,857	346,184	324,503
<u>\$ 11,970,273</u>	<u>\$ 11,316,566</u>	<u>\$ 10,889,894</u>	<u>\$ 15,477,903</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	\$ 63,997
National School Lunch Program	10.555	FY 12	306,426
National School Lunch Program (non-cash)	10.555	FY 12	34,396
Summer Food Service Program for Children	10.559	FY 12	17,025
			<u>421,844</u>
Muscatine County Extension:			
Team Nutrition Grants	10.574	FY 12	<u>858</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	6975G	201,018
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	1,029
			<u>202,047</u>
Fund for the Improvement of Education	84.215	FY 11	<u>21,649</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>33,924</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>7,449</u>
ARRA - Teacher Quality Partnerships, Recovery Act	84.405	FY 12	<u>500</u>
Education Jobs Fund	84.410	FY 11	245,619
Education Jobs Fund	84.410	FY 12	3,636
			<u>249,255</u>
Mississippi Bend Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 12	68,490
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	4,542
			<u>73,032</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>4,082</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
U. S. Department of Education (continued):			
Mississippi Bend Area Education Agency (continued):			
English Language Acquisition State Grants	84.365	FY 11	\$ 4,598
English Language Acquisition State Grants	84.365	FY 12	26,920
			<u>31,518</u>
U.S. Department of Health and Human Services:			
Bi-State Regional Commission:			
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	FY 12	<u>7,530</u>
Community Action of Eastern Iowa:			
Head Start	93.600	FY 12	<u>66,017</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:		HMGP -	
Hazard Mitigation Grant	97.039	DR1763-70-01	<u>124,150</u>
Total			<u>\$ 1,243,855</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of West Liberty Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
West Liberty Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Liberty Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 2013. We disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of West Liberty Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Liberty Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Liberty Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described as II-A-12 in the accompanying Schedule of Findings and Questioned Costs and certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about West Liberty Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Liberty Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Liberty Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Liberty Community School District and other parties to whom West Liberty Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Liberty Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
February 14, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of  
West Liberty Community School District:

Compliance

We have audited West Liberty Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. West Liberty Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Liberty Community School District's management. Our responsibility is to express an opinion on West Liberty Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Liberty Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Liberty Community School District's compliance with those requirements.

In our opinion, West Liberty Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of West Liberty Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Liberty Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Liberty Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Liberty Community School District and other parties to whom West Liberty Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
February 14, 2013

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) We disclaimed an opinion on the discretely presented component unit and issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit disclosed an instance of non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
  - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Liberty Community School District did not qualify as a low-risk auditee.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

- II-A-12 Financial Condition – At June 30, 2012, the General Fund had an unassigned deficit fund balance of \$207,304 and a total deficit fund balance of \$59,513.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the General Fund to a sound financial condition.

Response – We improved significantly from the prior year and expect to be close to a positive balance next fiscal year.

Conclusion – Response accepted.

Internal Control Deficiencies:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the non-instructional programs function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sydney Millage Spouse of Board Member	Substitute Teacher	\$3,474

The transaction appears to represent a conflict of interest since the cumulative amount for the fiscal year was more than the \$2,500 allowed by Chapter 279.7A of the Code of Iowa.

Recommendation – The District should contact their legal counsel to resolve this situation.

Response – We will contact our attorney and make sure there is not a conflict of interest. The school board does not control the hiring of substitutes.

Conclusion – Response accepted.

- IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	702,646	
Revenues:				
Sales tax revenues	\$	925,773		
Interest		14,884		
Issuance of long-term debt		<u>1,500,694</u>	2,441,351	
Expenditures/transfers out:				
Equipment		3,780		
Other		45,376		
Transfers to other funds:				
Debt Service Fund		1,960,837		
Other Capital Projects Fund		<u>242,450</u>	<u>2,252,443</u>	
Ending balance		\$	<u><u>891,554</u></u>	

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:



WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-12    Statewide Sales and Services Tax (continued)

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$     0.38282	\$     92,754

- IV-M-12    School Breakfast Program – We noted that the April meal reimbursement claim had the number of free breakfasts and paid breakfasts transposed. This resulted in a claim understatement of \$3,625.

Recommendation – The District should compare the monthly meal summaries to the meal reimbursement claim each month to ensure the accuracy of meals claimed. The District should contact the Iowa Department of Education to amend the claim for the transposition error.

Response – We will double check the monthly meal summaries to the meal reimbursement claim in the future to make sure the numbers are accurate. We will contact the Iowa Department of Education for the breakfast amount underclaimed.

Conclusion – Response accepted.